1999 Country Reports on Economic Policy and Trade Practices
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NORWAY

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise noted)

	1997	1998	1999 1/
Income, Production and Employment:			
Nominal GDP	153,380	146,636	150,645
Real GDP Growth (pct) 2/	4.3	2.1	0.9
Real Mainland GDP Growth (pct)	4.4	3.3	0.5
Nominal GDP by sector:			
Agriculture	3,089	3,161	3,200
Oil and Gas Production	23,491	15,463	18,500
Manufacturing	16,932	17,422	17,500
Services	86,470	86,646	86,945
Government	23,398	23,944	24,500
Per capita GDP	34,237	32,586	33,255
Labor force (000s)	2,285	2,330	2,340
Unemployment Rate (percent)	4.1	3.2	3.3
Money and Prices (annual percentage growth):			
Money supply (M2)	4.6	5.6	5.4
Consumer Price Inflation	2.6	2.3	2.2
Exchange rate (NOK/US$ annual average)	7.10	7.55	7.75
Balance of payments and trade:			
Total Exports FOB	48,228	40,649	43,700
Exports to U.S. 3/	3,735	2,874	3,200
Total Imports CIF	35,526	39,656	36,500
Imports from U.S. 3/	1,720	1,709	1,500
Trade Balance	12,702	993	7,200
Balance with U.S.	2,015	1,165	1,700
External Public Debt	3,085	900	2,000
Debt Service Payments	3,446	2,185	90
Fiscal Surplus/GDP (pct)	5.6	2.9	6.2
Current Account Surplus/ GDP (pct)	5.2	(1.5)	3.0
Foreign Exchange Reserves 4/	24,136	18,813	20,400
Aid from U.S.	0	0	0
Aid From Other Countries	0	0	0

1/ 1999 figures are all estimates based on monthly data in November.
2/ Growth figures are based on the basis of the local currency.
3/ U.S. Department of Commerce trade statistics.
4/ Includes gold; but excludes assets in the state petroleum fund.

Source: Government of Norway data.

1. General policy framework

Exploitation of Norway's major non-renewable energy resources--crude oil and natural gas--will continue to drive the country's economic growth for at least the next three decades. Offshore, Norway's remaining oil reserves (discovered plus undiscovered) will last for another 30 years at current extraction rates, while the equivalent figure for natural gas is 131 years. Energy-intensive industries such as metal processing and fertilizer production will remain prominent on the mainland due to the availability of abundant hydropower.

Some constraints continue to limit Norway's economic flexibility and ability to maintain international competitiveness. Labor availability remains limited by Norway's small population of 4.5 million and a restrictive immigration policy. Norway is also a high-cost country with a centralized collective wage bargaining process and government- provided generous social welfare benefits. Norway’s small agricultural sector survives largely through subsidies and protection from international competition.

State intervention in the economy remains significant. The government owns just over 50 percent of domestic businesses, including majority stakes in the two largest oil and industry conglomerates and the country's biggest commercial bank. While new legislation governing investment was implemented in 1995 to meet European Economic Area ("EEA") and WTO obligations, screening of foreign investment and restrictions on foreign ownership remains.

The government's dependence on petroleum revenue has increased substantially since the early 1970's, generating an estimated 15 percent of total government 1999 revenue. Since 1995, Norway has been a net foreign creditor and has posted budget surpluses. The surpluses are invested in a petroleum fund for future use.

No general tax incentives exist to promote investment. Tax credits and government grants are offered, however, to encourage investment in northern Norway; and tax incentives are granted to encourage the use of environmentally friendly products such as the electric car think. Several specialized state banks provide subsidized loans to sectors including agriculture and fishing. Transportation allowances and subsidized power are also available to industry. Norway and the EU have preferential access to each other’s markets, except for the agricultural and fisheries sectors, through the EEA agreement which entered force in January 1994. Although in a 1994 national referendum Norwegians rejected a proposal to join the EU, Norway routinely implements most EU directives as required by the EEA.

The government controls the growth of the money supply through reserve requirements imposed on banks, open market operations, and variations in the central bank overnight Lending rate. The central bank's flexibility in using the money supply as an independent policy instrument is limited by the government's priority to maintain a stable rate of exchange.

2. Exchange rate policy

The Norwegian krone was un-pegged from the ecu in December 1992. The government’s stated policy since 1994 has been to maintain a stable krone vis-à-vis European currencies. The central bank uses interest rate policy and open market operations to keep currency stable in a managed float that follows a range of values defined in the exchange rate regulation. With the introduction of the euro January 1, 1999, Norway currently keeps the krone stable vis-à-vis the euro-zone currency (euro).

Quantitative restrictions on credit flows from private financial institutions were abolished in the late 1980's. Norway dismantled most remaining foreign exchange controls in 1990. U.S.

companies operating within Norway have not reported any problems to the embassy in remitting payments.

3. Structural policies

The government's top economic priorities include maintaining high employment, generous welfare benefits, and rural development. These economic priorities are part of Norway's regional policy of discouraging internal migration to urban centers in the south and east and of maintaining the population in the north and other sparsely populated regions. Thus, parts of the mainland economy -- particularly agriculture and rural industries -- remain protected and cost-inefficient from a global viewpoint with Norway's agricultural sector remaining the most heavily subsidized in the OECD. While some progress has been made in reducing subsidies manufacturing industry, support remains significant in areas including food processing and shipbuilding.

A revised legal framework for the functioning of the financial system was adopted in 1988, strengthening competitive forces in the market and bringing capital adequacy ratios more in line with those abroad. Further liberalization in the financial services sector occurred when Norway joined the EEA and accepted the EU's banking directives. The Norwegian banking industry has returned to profitability following reforms prompted by the banking crises in the early 1990's.

Norway has taken some steps to deregulate the non-bank service sector. Although large parts of the transportation markets (including railways) remain subject to restrictive regulations, including statutory barriers to entry, the government telecommunications services to competition in 1998.

4. Debt management policies

The state's exposure in international debt markets remains very limited because of Norway's prudent budgetary and foreign debt policies. The government's gross external debt situation significantly improved in 1990's, declining from about US$10 billion in 1993 to about US$900 million at the end of 1998. Norway's status changed from a net debtor to a net creditor country in 1995 largely because of the contributions from the oil and gas sector.

5. Aid

There are no aid flows between Norway and the U.S.

6. Significant barriers to U.S. Exports

Norway is a member of the World Trade Organization and supports the principles of free trade but significant barriers to trade remain in place. The government maintains high agricultural tariffs that are administratively adjusted when internal market prices fall outside certain price limits. These unpredictable administrative tariff adjustments disrupt advance purchase orders and severely limit agricultural imports into Norway from the U.S. and other distant markets.

State ownership in Norwegian industry continues to complicate competition in a number of sectors including telecommunications, financial services, oil and gas, and alcohol and pharmaceutical distribution. Despite some ongoing reforms, Norway still maintains regulatory practices, certification procedures and standards that limit market access for U.S. materials and equipment in a variety of sectors, including telecommunications and oil and gas materials and equipment. U.S. companies, particularly in the oil and gas sector, operate profitably in Norway.

While there has been substantial banking reform, competition in this sector still remains distorted due to government ownership of the largest commercial bank, and the existence of specialized state banks that offer subsidized loans in certain sectors and geographic locations.

Restrictions also remain in the distribution of alcohol, which historically has been handled through state monopolies, and in the way pharmaceutical drugs are marketed. Norway is obligated to terminate these monopolies under the EEA accord but implementation is slow. The European Free Trade Association (EFTA) surveillance agency (ESA - the organization responsible for insuring EEA compliance) has been monitoring Norway's progress in these areas.

7. Export subsidy policies

As a general rule the government of Norway does not subsidize exports, although some heavily subsidized goods, such as dairy products, may be exported. The government indirectly subsidizes chemical and metal exports by subsidizing the electricity costs of manufacturers. In addition, the government provides funds to Norwegian companies for export promotion purposes. Norway is reducing its agricultural subsidies in stages over six years in accordance with its WTO obligations. Norway has also ratified the OECD shipbuilding subsidy agreement and has indicated it will eliminate shipbuilding subsidies as soon as the agreement is ratified by other major shipbuilding countries including the United States and Japan.

8. Protection of U.S. Intellectual Property

Norway is a signatory of the main intellectual property accords, including the Berne copyright and universal copyright conventions, the Paris convention for the protection of industrial property, and the patent cooperation treaty. Any adverse impact of Norwegian IPR practices on U.S. trade is negligible.

Norwegian officials believe that counterfeiting and piracy are the most important aspects of intellectual property rights protection. They complain about the unauthorized reproduction of furniture and appliance designs and the sale of the resultant goods in other countries, with no compensation to the Norwegian innovator.

Product patents for pharmaceuticals became available in Norway in January 1992. Previously, only process patent protection was provided to pharmaceuticals.

9. Worker rights

a. Right of association:

Workers have the right to associate freely and to strike. The government can invoke compulsory arbitration under certain circumstances with the approval of parliament.

b. The right to organize and bargain collectively:

All workers, including government employees and the military, have the right to organize and to bargain collectively. Labor legislation and practice is uniform throughout Norway.

c. Prohibition of forced or compulsory labor:

The GON prohibits forced and compulsory labor by law.

d. Minimum age for employment of children:

Children are not permitted to work full time before age 18. However, children 13 to 18 years may be employed part-time in light work that will not adversely affect their development.

e. Acceptable conditions of work:

Ordinary working hours do not exceed 37.5 hours per week, and four weeks plus one day of paid leave are granted per year (31 days for those over 60). There is no minimum wage in Norway, but wages normally fall within a national wage scale negotiated by labor, employers, and the government. The workers' protection and working environment act of 1977 assures all workers safe and physically acceptable working conditions.

f. Rights in sectors with U.S. investment:

Norway has a tradition of protecting worker rights in all industries, and sectors where there is heavy U.S. investment are no exception.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1998

(Millions of U.S. Dollars)

Category		Amount
Petroleum		4,045
Total Manufacturing		831
Food & Kindred Products	(1)	
Chemicals & Allied Products	17	
Primary & Fabricated Metals	3	
Industrial Machinery and Equipment	168	
Electric & Electronic Equipment	7	
Transportation Equipment	15	
Other Manufacturing	(1)	
Wholesale Trade		303
Banking		(1)
Finance/Insurance/Real Estate		1,881
Services		290
Other Industries		(1)
TOTAL ALL INDUSTRIES		7,609

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.